

IN THE MATTER OF ARBITRATION

Between	}	
	}	ARBITRATION AWARD
CITY OF CENTERVILLE,	}	
Employer	}	Kim Hoogeveen, Ph.D.
	}	Arbitrator
AND	}	
	}	Issued: March 19, 2003
PPME LOCAL 2003, IUPAT	}	
Employee Organization	}	

APPEARANCES:

For PPME Local 2003 (Union):

Randall D. Schultz, Business Representative

Tom Carson, Union Steward

Gary Smothers, Member

For the City of Pella (City):

Cynthia Cortesio, City Clerk

Jack Williams, Mayor

Glenn Moritz, Councilperson

Jan Spurgeon, Councilperson

RECEIVED
2003 MAR 24 AM 11:15
PUBLIC EMPLOYMENT
RELATIONS BOARD

STATEMENT OF JURISDICTION

This matter proceeded to an Arbitration Hearing pursuant to the statutory impasse procedures established in the Public Employment Relations Act, Chapter 20, Code of Iowa. The undersigned was selected to serve as arbitrator from a list furnished to the parties by the Iowa Public Employment Relations Board.

The parties agreed that there was no dispute as to negotiability of the issue at impasse or the jurisdiction of the single Arbitrator. It was agreed by the parties that the City would present their case first, with the Union to follow, and opportunity for both parties to subsequently rebut. The parties mutually agreed both prior to and during the hearing to wave all deadlines as necessary to assure that the Arbitrator shall have a full fifteen (15) days in which to render a decision.

The arbitration hearing was convened at 1:40 p.m. on March 12, 2003 in the Centerville City Hall. Both parties were given a full opportunity to present exhibits, evidence, and arguments in support of their respective positions. The award is based on the evidence, facts, and arguments presented by the parties.

ARBITRATION CRITERIA

The Iowa Public Employment Relations Act contains specific criteria that are to be used by an Arbitrator in assessing the reasonableness of the parties' arbitration proposals. The criteria set forth in Section 20.22(9) are:

- a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.*
- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.*

- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.*
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its business.*
- e. Other relevant factors.*

IMPASSE ITEMS

Only one item was submitted for arbitration: Wages.

BACKGROUND & FINAL OFFERS

These parties have been bargaining contacts for this unit of city employees since 1979. The Union stated that this is the first time the parties have gone to arbitration. There are currently 10 employees in the bargaining group: five in the Sewer Utility and five in the Street Department.

The parties held three bargaining sessions prior to mediation that occurred on January 13, 2003. Many issues were settled, including an increase in the medical deductibles payable by the employees and an additional personal day granted to employees. Failing to reach agreement on wages, a fact-finding hearing was held on February 12, 2003. James A. O'Brien served as Fact-Finder and issued his ruling on February 21, 2003. The Fact-Finder rejected the position of both parties and recommended an across-the-board hourly wage increase of \$0.40. The Union accepted the recommendation of the Fact-Finder; the City rejected the recommendation.

The Employer's Final Offer: The City's final offer submitted to arbitration is the same as its position in fact-finding: no wage increase until the final day of the contract (i.e., June 30, 2004) when a 1% increase would be made to the wage rate of each employee.

The Union's Final Offer: The Union has adopted the **position of the Fact-Finder** for arbitration. Having presented a case for an across-the-board wage increase of \$0.51 at fact-finding, the Union's offer for arbitration is an across-the-board hourly wage increase of \$0.40.

RATIONALE OF THE PARTIES

Arguments were presented to the Arbitrator via testimony and exhibits. Although not intended to be a comprehensive review of the record, the following constitutes a brief summary of the assertions of the parties.

THE CITY

The City presented exhibits showing Appanoose County, in which Centerville is located, to have the second lowest median family incomes in Iowa with only Decatur County being lower. The City noted that they were experiencing a 20% increase in worker's compensation rates as well as an 8% increase in the cost of general liability insurance. The City Council has adopted a tax levy of \$14.75 for fiscal year 2004, up from the \$14.51 tax levy for this current fiscal year. They presented an exhibit to show that Centerville's current tax levy is in the middle of a comparison group comprised of 11 other cities located in this region of Iowa. The City acknowledged that they have taxing authority up to \$16.00 and that each additional \$0.10 in the levy generates approximately \$10,000.

The City further noted that they have recently lost a major employer and that the competitiveness of their local tax rate is an important variable with respect to their ability to attract new industry to Centerville. Finally, the City stated that they

believe their current pay rates are competitive with private industry in the Centerville area, and they have no trouble attracting workers at the current pay rates.

THE UNION

The Union presented comparability data using six other cities located within reasonable proximity of Centerville. This data showed the current hourly wage rates paid by Centerville to be 11% to 15% below the mean wage rate paid for the same job classifications in the comparability group. The Union further presented data showing settlement trends for the comparison cities. Although complicated by some of the unique factors that are often present in any particular bargaining situation (such as changes in benefits or other conditions of the contract), the comparison group's average wage increase for next year was reported to be 2.6%. The Union's exhibits also showed that the workers in Centerville have not kept pace with the average wage increase given in the comparison group over the past two years – and argued that the City's current proposal would accelerate that trend.

Like the City, the Union presented data showing current property tax levies across the comparison group. Again, Centerville was in the middle of the group. The Union stated that the hard wage cost of their proposal was \$8,320, but acknowledged in response to a question from the Arbitrator that the total cost after all taxes and benefits would be over \$9,000.

The Union presented general information related to the financing of a TIF District in Centerville and a recent state re-audit to examine the use of Road Use Tax Funds by Centerville. The Union said it presented the information for general background, and the City responded to explain how TIF funds have been used and the results and implications of the re-audit.

Finally, as the Union has adopted the Fact-Finder's recommendation as the Union's position for arbitration, the Union encouraged the Arbitrator to consider the content and conclusions of the fact-finding report.

ANALYSIS AND CONCLUSIONS

Each of the parties presented their case clearly at the hearing. Although it is not reasonable for the parties to expect a specific response to each and every one of their assertions and exhibits, what follows is my assessment of the relative strength and rationale of some of the key arguments that were advanced.

Bargaining History:

These parties have a history of successfully negotiating steady and moderate contract increases. In some years, wage increases were made using an across-the-board cents per hour increase. In the most recent years, a straight percentage increase was used.

It is also worth noting that the City reported that they have reached a voluntary settlement with another employee union (covering police, fire, and dispatcher) that will provide a 1% increase on January 1, 2004 and a 3% increase July 1, 2004. This might have provided some valuable comparability data for the City, i.e., the City's position in this hearing would have been helped if they could have presented data showing that the compensation of these other City workers trailed that of their counterparts in other cities by the same degree as that of the employees of the Sewer Utility and Street Departments. In response to a question from the Arbitrator, however, the City responded that they believed the salaries of these professionals to currently be competitive with those paid in surrounding towns. As it is, the City is making an offer to this bargaining group that is less than what they have agreed to for a group that they acknowledge as being relatively better compensated.

Comparability

The Union's comparability group is appropriate, a statement that was largely uncontested by the City. The Union showed to my satisfaction that the members of this bargaining group are currently compensated 10% to 15% below their counterparts in surrounding communities. The City presented no mitigating evidence to explain this difference, e.g., that the benefits provided to Centerville employees are exceptional or that wage differences could be attributed to significant differences in average length-of-

service. It was also uncontested that current settlement trends in the comparison group would seem to be between 2% and 3%. As such, the Union clearly showed that a 364-day wage freeze, as proposed by the City, would result in this bargaining group falling even further behind their counterparts in other communities.

Welfare of the Public and Ability to Pay

The City presented data regarding Median Household Income by county showing Appanoose County to be the second lowest in the state. Using the county level information, I find that the average of the Median Household Incomes for the counties in which the Union's comparison cities are located is \$35,639 – a full 24% higher than that of Appanoose County. Although the City did not make this calculation, it is the single most persuasive argument for their position. It should be noted, however, that neither party presented information regarding specific income levels for Centerville or any of the other surrounding cities.

The total cost of the Union's proposal is less than \$10,000. Given a concession the Union made with respect to increasing deductibles on health insurance, the total cost of the City's proposal is close to zero. The City has adopted a tax levy of \$14.75 in its budget, but acknowledges it has taxing authority up to \$16.00. Both the City and Union seemed to agree that the City's current tax levy falls in the middle of the comparison groups, and an additional \$0.10 would not impact that ranking. It is noted that the tax levy is already substantially higher in the only two communities that the City included in their exhibits from Decatur County, i.e., the county having the lowest Median Family Income in Iowa. The City did not aggressively argue that the Union's proposal would harm the normal standard of community services, nor did it indicate that if granted, the Union's position would result in any reduction in personnel. As to the City's contention that they have experienced a significant increase in worker's compensation and general liability insurance costs, they presented no data or information that would provide evidence that the increases they are experiencing are unusual or out of the ordinary for Iowa municipalities.

Other Relevant Factors

The City asserted that they are not having difficulty hiring qualified employees at the current salary rate. They also stated that the current wage is competitive with what private sector businesses are paying in the community, although no data was presented to confirm this statement. The Union correctly pointed out that the statute calls for the Arbitrator to consider other "public sector" employees for the purpose of comparability. The City may well consider the ability to hire qualified employees at the current wage rate to be an "other relevant factor" for the Arbitrator to consider. In a strictly monetary sense, it is always in the interest of the taxpaying public to allow a public employer to pay the lowest wage necessary to attract qualified employees. If that was the intent of the statute, however, it would have been written quite differently than what we find. It is also true that public sector wage rates often trail the private sector during strong economic periods and lead it during times of recession or slow economic growth.

The City made the argument that their relatively high tax rate was one of the principle reasons for the City having recently lost a competition for a new business to another locality in Illinois. Under questioning from the Arbitrator, however, the City acknowledged that the prospective employer gave no indication that the \$.10 increase needed to fund the Union's proposal would have been a substantial determinate in the final outcome.

FINAL COMMENTS

The City's salary offer to increase the current wage rate by 1% on the last day of the contract is unusual. The City explained that their purpose was to signify to the employees that the City does not intend to again freeze wages next year. They explained that by giving the 1% raise on the last day of the contract, next year's negotiations would start with the employees already having at least a 1% raise from which to begin bargaining. Although the City noted the long tradition of having never done so, there is nothing to prohibit the City from starting next year's negotiations by proposing a cut in current salary – and I would point out that there has apparently never been a proposed

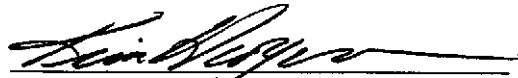
wage freeze until the City's position of this year. Nevertheless, I recognize the City's positive symbolic intent.

As the parties are aware, I am restricted to adopting one of three positions as my award, with that being reduced to two in this occasion given the Union's adoption of the Fact-Finder's recommendation as their final offer for arbitration. Had I the authority to do so, I would have granted a two-year agreement with a slightly smaller increase in year one and a 3% increase in year two. I am not as confident as the Fact-Finder that an approximate 3% increase is warranted this year. Despite the legitimate financial concerns of the City, however, the uncontested comparability data is simply too overwhelming to allow this bargaining unit to fall even farther behind their counterparts in other communities by adopting what is essentially a wage freeze as proposed by the City.

THE AWARD

Wages: Position of the Union and Fact-Finder

Signed this 19th Day of March, 2003.



Kim Hoogeveen, Arbitrator

6404 North 70th Plaza

Omaha, NE 68104

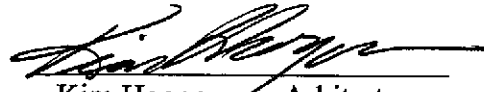
CERTIFICATE OF SERVICE

I certify that on the 19th day of March, 2003, I served the forgoing Arbitration Award upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Cynthia Cortesio
P.O. Box 578
Centerville, IA 52544

Randy Schultz
719 West Jackson Street
Sigourney, IA 52591- 1057

I further certify that on the 19th day of March, 2003, I will submit this Award for filing by mailing it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, Iowa 50309-1912.


Kim Hoogeveen, Arbitrator

RECEIVED
2003 MAR 24 AM 11:15
PUBLIC EMPLOYMENT
RELATIONS BOARD